REGULATORY IMPACT ASSESSMENT (RIA)

The Tax Avoidance Schemes (Prescribed Descriptions of Arrangements) Regulations 2006 (SI 2006/1543)

The Tax Avoidance Schemes (Information) (Amendment) Regulations 2006 (SI 2006/1544)

Introduction

1. This full Regulatory Impact Assessment estimates the costs and benefits of the measure modifying and extending the rules requiring disclosure of information to H M Revenue and Customs (HMRC) about certain tax schemes ("the disclosure regime"). The new rules will take effect from 1st August 2006 and apply to schemes marketed or implemented on or after that date. This full RIA updates the partial RIA issued alongside draft regulations on 28 April 2006.

Purpose and intended effect of the measure

The policy objectives

2. The objective is to counter the avoidance of income tax, corporation tax and capital gains tax by requiring information about certain tax schemes to be provided to HMRC. This will enable HMRC to tackle avoidance across the whole of those taxes in a more targeted way and for the Government to more quickly counteract schemes that seek to defeat its tax policy objectives.

Background

3. Tax avoidance costs the Exchequer lost revenues each year. It also undermines government public spending objectives and brings unfairness into the tax system itself.

4. One of the features of the tax system that provides avoidance schemes breathing space is the existence of information gaps. HMRC generally has powers to open enquiries into tax returns, but not to enquire into schemes themselves. For income tax and corporation tax the filing date of the return is many months after the end of the period to which the return relates. So it may be long after an avoidance scheme has been implemented before HMRC can learn about a scheme by receiving returns and opening enquiries into them.

5. As described in previous Regulatory Impact Assessments (**Appendix A**), the disclosure regime was chosen as the best option for closing such

information gaps. It was designed specifically to acquire the type of information necessary to identify and counteract avoidance schemes in as near to real time as is possible. This ensures that the Government can initiate legislation as quickly as possible to close any loopholes. The regime also provides information about the users of schemes that have been disclosed, which assists HMRC to initiate, where appropriate, enquiries and litigation.

6. The disclosure regime was enacted in Part 7 FA 2004 and applies in principle to all the direct taxes. However, regulations restricted the regime initially to income tax, corporation tax and capital gains tax schemes that concern employment or certain financial products. These areas were chosen because they represented the highest risk of avoidance. Certain rules (commonly referred to as the “filters”) were incorporated to restrict the regime to schemes that were new and innovative.
7. **Appendix B** provides a summary of the current regime as it applies to income tax, corporation tax and capital gains tax.
8. **Appendix C** provides a summary of the disclosures received to date.
9. Further regulations extended the disclosure regime to stamp duty land tax on commercial property in 2005. The stamp duty part of the regime is not affected by the measure and is outside the scope of this Assessment.
10. The National Insurance Contributions Act 2006, which received Royal Assent on 30 March, contains a power to extend the disclosure regime for income tax to National Insurance contributions. Draft regulations were published for comment on 15 November 2005 – before changes to the income tax regime were announced in the Pre-Budget Report.
11. HMRC Anti-Avoidance Group (“AAG”) risk assesses the schemes disclosed. The AAG maintains guidance about the regime on the HMRC website. It also maintains a dialogue with tax advisers in which it explains the rules and assists promoters to comply.
12. HMRC will over time gather a wide range of evidence about the impact of the regime. That evidence will include the disclosures themselves and the results of enquiries into the returns of taxpayers who have notified use of a disclosed scheme. This will inevitably take some while because of the timescale of the self assessment and enquiry cycle. For example, the first significant tranche of corporation tax returns from companies notifying use of a disclosed scheme was received only in December 2005.
13. In the meanwhile HMRC monitors the regime closely to assess how well it is working in real time. It does so by examining the disclosures themselves, maintaining a dialogue with promoters and other interested parties, and gathering information and intelligence about the avoidance market.
14. To date, both the number and quality of disclosures received indicate that the regime is targeting tax avoidance without affecting legitimate tax

planning. HMRC has not received significant numbers of unnecessary "safety-first" disclosures, which some commentators had predicted.

15. Disclosures have directly led to or informed a number of anti-avoidance measures, beginning with measures announced in the Pre Budget Report (PBR) 2004. For example, they led directly to measures announced at PBR 2004, and further measures announced at Budget 2006, closing down schemes intended to avoid payment of tax and National Insurance contributions on employment income in the form of annual bonuses. Disclosures have also led to or informed a number of measures closing down various avoidance schemes involving the use of financial products.

16. There is a risk that the disclosure regime could simply ratchet up the tendency for promoters to create ever more complex schemes intended to avoid anti-avoidance measures themselves. But HMRC does not believe that this has been the outcome. Rather, various strands of intelligence and information strongly suggest that there has been a sharp decline in marketed tax avoidance schemes and in particular of schemes aimed at avoiding tax and National Insurance contributions on employment income. HMRC's assessment is that disclosure has been an important contributory factor to that decline, although clearly there are others in play (e.g. corporate governance issues). The decline of employment schemes is attributable to disclosure combined with Paymaster General's statement of 2 December 2004 announcing the Government's intention to take action, if necessary back to that date, against schemes falling within the scope of that statement.

Rationale for Government Intervention.

17. As described in paragraph 6, the disclosure regime for income tax, corporation tax and capital gains tax was initially limited by regulations to two areas, employment and financial products. Disclosure was an entirely new concept and there were inevitable uncertainties as to how it would operate in practice. Many commentators expressed concerns that it would generate a flood of disclosures of ordinary tax planning that the then Inland Revenue would be unable to cope with. Consequently, it was decided to limit the scope of the regime to the highest risk areas.

18. However significant avoidance exists outside these areas. For example, measures were announced in PBR 2005 to combat significant avoidance of corporation tax involving the use of intangible assets. There has also been a series of measures combating avoidance within the leasing regime. Both of these areas are outside the current scope of the disclosure regime.

19. Moreover, the success of the disclosure regime presents the risk that avoidance will migrate to areas that are outside the regime.

20. The success of the disclosure regime also increases the risk that promoters and users of avoidance schemes will try to find ways of not disclosing schemes that the regime is intended to capture.

21. It is inherently difficult for HMRC to assess, in real time, whether there are schemes that the regime was intended to capture that are not being disclosed, and if so why they are not being disclosed. HMRC has no powers to enquire into schemes that have not been disclosed. However, in order to understand how the law is being interpreted, promoters have been asked to provide examples of schemes, which they had decided fell just short of disclosure. Promoters have not provided such information, but HMRC accepts that there are legitimate reasons (particularly client confidentiality) why this is so.

22. Discussions with promoters and others have identified certain weaknesses in the "filters" (see paragraph 6 above) that are proxies for "new and innovative". The consistent feedback is that:

    - The subjectivity of the filters makes them difficult to apply, especially to schemes that are not mass-marketed; and

    - The market has changed and the filters no longer fully capture the way that promoters engage clients and earn fees.

23. The available evidence indicates that those weaknesses have contributed to the non-disclosure of a number of schemes of the type that the regime was intended to capture.

24. There is also a particular issue with the disclosure of schemes designed in-house (i.e. where there is no promoter). The timing rule for promoted schemes is that HMRC must be provided with information about the scheme within five days of the scheme being marketed or implemented. For in -house schemes, the information does not have to be provided until the filing date of the tax return that relies upon the scheme. This may be as long as almost two years after the scheme is implemented. The extended period for in-house disclosures addressed initial concerns that businesses would not be able to identify and notify the relevant schemes before the end of year tax calculation was done. However, the lengthy time period severely affects the objective of the disclosure regime to obtain information in close to real time.

25. The difference in time limits between promoted schemes and in-house schemes also creates a risk that some avoidance planning will migrate from tax advisers to in-house tax departments.

Consultation

26. PBR 2005 announced that discussions would take place with external stakeholders. These covered the design of the new regime, the emerging draft regulations themselves and the revised guidance and took the form of meetings and exchanges of letters and discussion papers with key external stakeholders. These included representative bodies (e.g. The Law Society, ICAEW, CIOT, Tax Law Reform Group, CBI, "One Hundred Group" of large companies, British Bankers Association, London Investment Banking Association, Finance Leasing Association) and

individual accountancy firms, law firms, tax boutiques and other businesses.

27.The discussions were extremely constructive and allowed us to timeously identify and resolve a number of complex issues before the draft regulations were published. HMRC is extremely grateful to all those who took part.

For example:

- Respondents persuaded HMRC that a hallmark that tried to specifically define “new and innovative” was unworkable and that idea was dropped;

- Significant changes have been made to the confidentiality, standardised tax product and leasing hallmarks in order to focus them more narrowly on potential avoidance schemes and reduce compliance burdens; and

- There have been very constructive discussions about the systems that it would be reasonable and proportionate for businesses to apply to notify in-house schemes within 30 days of implementation and also about how exceptional circumstances are to be dealt with. These have been fed into the guidance.

28. The draft regulations and partial RIA were published on the HMRC website on 28 April and comments were invited by 31 May. Draft guidance was issued to key stakeholders on 12th May and comments invited by 31 May.

29. HMRC requested, both in the RIA and directly with key stakeholders, information about the estimated costs of the changes. Respondents have not yet been able to provide us with enough information to allow us to quantify additional costs.

Options

Issue 1: Some areas of avoidance are outside the current disclosure regime

Do nothing

30. Doing nothing is not acceptable. It would encourage the use of avoidance schemes outside the area covered by the disclosure regime.

Obtain enhanced information from a means other than the disclosure regime

31.Various alternatives to a disclosure regime were considered and rejected in 2004 as recorded in the relevant Regulatory Impact Assessment (see **Appendix A**). These were:

- A non-regulatory solution;

- Use of pre-transaction rulings; and
- Require more information on or with returns.

The reasons expressed in that RIA as to why disclosure was the best option remain valid. The disclosure regime has worked well and it would be illogical, and add unnecessary complexity, to use an entirely different means to deal with areas currently outside that regime.

Extend disclosure to further risk areas concerning income tax, corporation tax or capital gains tax

32. This option is feasible, but it risks creating a patchwork quilt of areas with a considerable number of boundaries. Experience of the existing regime is that it is the boundaries that create complexity. There is also always a risk that avoidance will move to areas that are still outside the regime.

Extend disclosure to the whole of income tax, corporation tax and capital gains tax

33. This is the chosen option. It simplifies the existing regime by removing the definitions of employment and financial products and ensures that no part of the income tax, corporation tax and capital gains tax systems is outside the scope of the regime. Whether or not a scheme falls within the regime will be determined solely by the description of the scheme.

Issue 2: The current filters may not capture all of the schemes that the regime was intended to capture

Do nothing

34. This option is not acceptable. It involves leaving the “filters” undisturbed when feedback tells HMRC that there are weaknesses with them and there is evidence that those weaknesses are contributing to the non-disclosure of schemes of a type that the regime was intended to capture.

Revise the existing filters

35. This option in itself is not sufficient. The filters are qualitative tests that serve as proxies for “new and innovative”. Qualitative tests inevitably contain a degree of subjectivity that may be exploited. But quantitative tests (e.g. size of promoters’ fees or size of tax advantage) would not be reasonable proxies for “new and innovative”. Moreover, it would take very complex rules to ensure that the quantities were measured accurately and consistently.

Abolish the existing filters and devise new tests

36. The evidence indicates that the filters work well - up to a point. They continue to provide information about a number of significant avoidance schemes, (most recently informing measures announced in Budget 2006). Removing them completely would risk losing the benefits they provide in

favour of new, untried tests. Introducing a completely new set of tests would also impose a considerable compliance burden on promoters.

Retain the existing filters and build on them.

37. This is the chosen option. Abolishing the existing filters is not desirable (paragraph 36) and revising the existing filters is not sufficient in isolation (paragraph 35). The logical option is to build on the existing filters to close the gaps in their current coverage. The issue then becomes what further features to build in. This is discussed in paragraphs 42 to 49 below

Issue 3: The timing rule for in-house schemes does not provide information soon enough

Do nothing

38. This option would leave a weakness in the disclosure regime as described in paragraphs 24 to 25 above.

Require disclosure within a shorter time frame

39. Feedback from business (supported by disclosures received) indicates that in-house schemes falling within the regime are limited to a small number of high value, innovative, schemes designed by large companies. The tax departments of those businesses would be expected to be fully aware of the details of those schemes from an early stage and in practice the business should be capable of notifying them to HMRC shortly after they are implemented, although possibly not within the 5 days required of promoters.

Conclusion

40. Modifying and extending the existing disclosure regime is considered to be the right and proportionate course of action.

41.Combined announcements at PBR 2005 and Budget 2006 have announced:

- Extending the regime to the whole of income tax , corporation tax and capital gains tax;
- Replacing the filters with a suite of hallmarks, which incorporate the filters;
- Reducing the deadline for disclosure of in-house schemes to 30 days of implementation (but removing individuals and small businesses from the requirement to disclose such schemes); and
- Discussions to be held between HMRC and external stakeholders.

42.The changes to the filters, worked up in discussions with external stakeholders since PBR, adopt the hallmark approach already used for VAT. Hallmarks are descriptions of arrangements. If arrangements fall within any one of the descriptions (hallmarks) then they are within the disclosure regime.

43. There will be a suite of six hallmarks, only three of which will apply to schemes designed in-house by businesses. They fall into 3 groups:

- 3 generic hallmarks that target new and innovative schemes;
- A hallmark that targets standardised tax products; and
- 2 hallmarks that target specific areas of risk - loss making schemes and leasing of plant or machinery.

44.The three generic hallmarks are derived from the existing “filters”. These are:

- Confidentiality;
- Premium fee; and
- Off market terms.

45. The **confidentiality** hallmark extends the scope of the existing filter. The hallmark includes schemes where the promoter or user wants to keep the details of the element that achieves the tax advantage confidential from HMRC in order to enjoy continued or repeated use of that element.

46**.** The **standardised tax product** hallmark targets what one accountant described as “shrink-wrapped” tax schemes, which have historically been commonly associated with tax avoidance. Various known and legitimate schemes (e.g. approved employee share schemes and regulated pension schemes) will be specifically excepted from this hallmark. Schemes of a type first made available before 1 August 2006 will also be excepted.

47.The **loss-making schemes** hallmark targets, narrowly and objectively, a type of scheme commonly used by wealthy individuals to reduce their income tax or capital gains tax liability. This is a high-risk area where there are a number of schemes on the market.

48.The **leasing** hallmark targets, again narrowly and objectively, schemes, which concern the lease of high value plant or machinery and which, contain certain features commonly associated with avoidance.

49. The measure will remove individuals and businesses falling within the EU definition of small and medium sized enterprise (SME) to disclose schemes designed in-house. The SME definition is already used in the tax system (for R&D tax credits) and is well understood.

Business sectors affected

50. The businesses mainly affected will be promoters; i.e. those who design or market tax schemes: primarily accountants, lawyers, banks and other financial institutions. Large businesses who design their own schemes in-house will also be affected.

51. Where no Promoter is involved, individuals and businesses that are SMEs will be removed from the requirement to provide information about schemes that they have designed. ("in-house" schemes).

52. Businesses who use schemes notified to HMRC by promoters will be affected because they will be issued by the promoter with a HMRC reference number, which they must include on a tax return that is affected by the scheme.

Issues of equity and fairness

53.The proposed measure does not conflict with Human Rights legislation. It is intended, by tackling avoidance, to promote fairness for taxpayers.

Benefits

Economic

54. Tax avoidance reduces the Government's revenues and affects its ability to meet its spending objectives. The main effect of the measure will be to protect future revenues by providing information that will enable the Government to take early action to close loopholes in tax legislation. Effective and early action to close loopholes in turn deters development of schemes intended to exploit further loopholes.

55. Tax avoidance potentially distorts markets and allocates resources to unproductive economic activities. Tax avoidance schemes tend to be costly for both taxpayers and tax authorities to check compliance and to resolve disputes. The measure will reduce the amount of effort wasted in avoidance of income tax, corporation tax and capital gains tax and so benefit the efficiency, effectiveness and economy in the markets through increased transparency.

Social

56.No social benefits are expected.

Environmental

57. No environmental benefits are expected.

Costs

Economic

Business Costs

58.Promoters and large businesses have in place (or should have in place) effective compliance systems to deal with the current rules. The feedback from promoters is that those systems have reached a steady state where the main cost is the compliance cost of identifying notifiable schemes and notifying them to HMRC.

59. As a result of the proposed changes promoters and large businesses will incur additional costs associated with :

- learning;
- set up; and
- compliance

60. There will be largely-one-off <u>learning and professional education costs</u> in the first year associated with understanding the requirements of the revised disclosure regime. These costs will be mitigated by the fact that most promoters and large businesses will already be familiar with the regime. HMRC is committed to providing guidance to help promoters and large businesses understand the changes.

61.Promoters and large businesses will incur <u>set up costs</u> in adapting their systems to ensure that they capture schemes required to be disclosed, and notify them to HMRC within the time limits. It is expected that promoters and large businesses will we able to make relatively modest modifications to the systems they already have in place. HMRC is committed to discussions with stakeholders and to issuing guidance to ensure that the systems we expect promoters and large businesses to put in place are reasonable and proportionate.

62.Promoters and large businesses will also incur <u>compliance costs</u> in having to identify and notify a scheme to HMRC.

63. As mentioned in paragraph 29 above, the responses to the consultation have not provided HMRC with sufficient information to be able to estimate the costs to business. But HMRC continues to encourage stakeholders to provide relevant information that will help to inform this important aspect. This will also include a review of the figures in Standard Cost Methodology terms.

HMRC costs

64.The AAG will continue to handle disclosures received in HMRC. HMRC expects to be able to carry out the additional work by prioritising existing anti-avoidance resources. The additional cost will be marginal.

65.There will be negligible costs associated with additional guidance and publicity.

Social

66. No social costs are expected

Environmental

67 .No environmental costs are expected

Small Business impacts

68.The main impact of extending the disclosure regime falls upon promoters of tax schemes and some promoters are small businesses that specialise in the design and marketing of highly structured tax schemes (commonly referred to as "tax boutiques"). Otherwise the design and marketing of the types of scheme required to be disclosed is a specialist area, beyond the operational scope of most small firms providing ordinary tax planning and advice. The businesses mainly affected are expected to be the larger accountancy and law firms, banks and financial institutions.

69.Small businesses are to be removed from the requirement to disclose schemes designed in house. Although in practice small businesses do not design schemes in house, they are nonetheless currently subject to a compliance requirement to monitor their activities to ensure that they have nothing to disclose.

70. Small businesses that are users of schemes disclosed by promoters will be required to include a HMRC issued reference number on their self-assessment tax returns. HMRC would not expect a significant proportion or number of users to be small businesses. Most schemes are aimed at large companies or wealthy individuals.

Competition assessment

71.The-competition filter test has been applied. There is considered to be a low risk of a significant detrimental effect on competition.

Enforcement, sanctions and monitoring

72.HMRC will update the published guidance on disclosures, to describe who will be affected and how the new rules will work in practice. The disclosure itself will be made through the already existing system, operated in HMRC by the AAG.

73. Sanctions will be needed to ensure compliance. Those sanctions already exist in the form of the disclosure penalty regime (described in paragraphs 7 – 10 of Appendix B). Those penalties will apply to promoters and users that fail to disclose full details of a notifiable scheme or reference number by the due date.

Post Implementation Review

74. HMRC plans to carry out to carry out an evaluation of the disclosure regime. The evaluation will involve research, analysis of disclosures received, analysis of tax returns and enquiries, and feedback from external stakeholders. Work is already under way. However, as reported in paragraph 12 above, a full evaluation of any disclosure regime is expected to take up to three years from the date the measures are introduced. In the meanwhile HMRC will continue to use such information as available to monitor the effect of the regime in real time.

Implementation and Delivery Plan

75. The plan in **Appendix D** sets out the activities a promoter or scheme user will have to undertake to comply with the extended and revised disclosure regime.

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Appendix A – Previous Regulatory Impact Assessments

Title	Partial RIA	Full RIA
Tackling Tax Avoidance – Disclosure Requirements		4/04
The Stamp Duty Land Tax Avoidance Schemes (Prescribed Descriptions of arrangements) Regulations 2005-The Tax Avoidance Schemes (Information) (Amendment) Regulations 2005	3/05	7/05
National Insurance Contributions Bill		10/05

Extract from Tackling Tax Avoidance – Disclosure Requirements

"The Options we have considered

8. In deciding upon the current structure of these rules we examined similar arrangements in the United States and Australia. In the US disclosure rules on scheme promoters have been credited with reducing the levels of tax avoidance, particularly those schemes that the Internal Revenue Service would consider the most aggressive.

9. In contrast until now the traditional "plug and fix" approach to managing the risk of avoidance was no longer considered capable of, on its own, increasing the rates of compliance and deterring aggressive avoidance schemes. The "plug and fix" approach will remain a feature of UK law. However, without some radical shift in approach the problems associated with tax avoidance would continue to grow.

10. So the UK proposal seeks to adopt the best practice evident from the US and Australian rules along with those of Canada and introduces for the first time measures that will allow the Revenue to better understand the supply side of the avoidance market and so better protect revenue flows from avoidance.

11. A pre transaction rulings system is not considered a viable option. Any such system would require a very much greater amount of information about the scheme or arrangement to be provided by the promoter or the taxpayer thereby increasing the compliance burden. Equally the

Inland Revenue would be unlikely to give a favourable ruling to the kind of schemes that the disclosure rules are aimed at here.

12. This proposal therefore introduces a new disclosure rule requiring production of the details of the scheme at an early stage. To ensure the intended effect of this proposal it is necessary to identify and define who are the promoters, what schemes and arrangements should be disclosed and what information is required. It will be crucial that these areas are clearly defined and understood."

Appendix B

THE DISCLOSURE RULES

History of the Legislation

Finance Bill 2004 contained the basic rules which were enacted as Part 7 Finance Act 2004 (“the Act”) and the detail was contained in regulations eventually made and laid before Parliament on 22 July 2004, coming into force on 1 August 2004. They incorporated significant changes to the published drafts as a result of comments received in response to the consultation, in particular the use of ‘filters’ to ensure that the rules were targeted on new and innovative schemes.

The regulations have been amended twice. The first amendment, coming into force on 30 September 2004, added an additional filter to employment schemes in line with further suggestions made by businesses. The second amendment, coming into force on 14 October 2004, ensured that in circumstances where legal professional privilege prevents a lawyer from making a full disclosure, the obligation falls upon the client to make the disclosure (the client may, however, choose to waive privilege and allow the lawyer to disclose).

Stamp duty land tax anti-avoidance measures were added by regulations with effect from 1 August 2005.

Scope of the Legislation

1. FA 2004 requires promoters and, in some cases, users to disclose details of direct tax schemes and arrangements that might be expected to obtain a tax advantage as one of the main benefits. The legislation applies across the direct taxes (income tax, corporation tax, capital gains tax, petroleum revenue tax, stamp duty land tax, stamp duty reserve tax and inheritance tax).

2. Regulations limit the initial scope to notifiable arrangements that concern income tax, corporation tax or capital gains tax and involve either employment or certain specified financial products. Filters are used to restrict disclosure to new or innovative avoidance schemes and avoid affecting ordinary tax planning. The two main filters are “confidentiality” and “premium fee”.

3. Normally it is the promoter of the scheme who is required to disclose. But there are three circumstances in which the taxpayer must disclose:

- “in-house” schemes, i.e. where there is no promoter;
- where the promoter is offshore;

- where the promoter is a lawyer who is prevented from making a full disclosure of the required information by legal professional privilege (LPP). The client may, however, waive privilege, in which case the lawyer is required to disclose.

Timing of disclosures

4. In general, disclosure must be made within five working days of the scheme being made available for implementation or when the first transaction to use the scheme takes place. However, users of in-house schemes are generally allowed to disclose on their tax returns.

Reference numbers

5. The rules provide that the HMRC may issue a reference number for any scheme disclosed within 30 days of receipt of the disclosure. Where HMRC issues a number to a promoter, the promoter must provide this to clients within 30 days of the later of:

- Becoming aware of the first transaction to use the scheme; or if later

- Receipt of a reference number from HMRC.

Further obligations on users of a disclosed scheme

6. A person who uses a scheme who has been issued with a reference number, either by the promoter or directly by HMRC, must declare that number on each return that is affected by the scheme.

Penalties

7. A promoter who fails to disclose scheme etc will be liable to an initial penalty of up to a maximum of £5,000. Where after this initial penalty is imposed the failure continues then a further daily penalty of up to a maximum £600 per day will be imposed.

8. Promoters who fail to give a registration numbers to their client will also be liable to a maximum penalty of £5,000.

9. Taxpayers who fail to show scheme registration numbers on returns will be liable to an initial penalty of £100 rising to £500 for subsequent failures.

10. In respect of both promoters and taxpayers, initial penalties will be determined by the Special Commissioners and there will be a right of appeal against the imposition of the penalty.

Appendix C: Disclosures received (by 31 March 2006)

1. Number of direct tax disclosures

	Total received	Employment	Financial	SDLT*
No. of disclosures	1109	189	436	484

* came into force on 1 August 2005

2. Number of direct tax and SDLT disclosures, analysed by promoter disclosures and in-house disclosures is as follows:

	Financial products	SDLT
Accountant/financial institution	381	72
In-house/law firm	26	391
Other/not known	29	21
Total	436	484

3. Number of VAT disclosures (mainly by users)

Total disclosures	Listed schemes	Hallmarked schemes (including voluntary)
812	389	423

Appendix D: Implementation and Delivery Plan

Set up costs	Consultation with HMRC
	Understanding the new rules
	Preparing training
	Training staff
	Reviewing existing offerings for disclosure
	Redesigning paperwork
	Operational work; e.g., IT, helpline etc
Compliance	Identifying schemes potentially requiring disclosure to HMRC and deciding whether or not they are disclosable
	Disclosing schemes to HMRC within the time limits
	Issuing reference number to users (promoters only)
	Dealing with any requests for additional information from HMRC
	Reporting reference numbers to HMRC (users only)

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Statement of Ministerial Approval

I have read the regulatory impact assessment and I am satisfied that the benefits justify the costs.

Signed by the responsible Minister:

Dawn Primarolo

Paymaster General

12th June 2006

Date